



Director of
Central
Intelligence

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Thursday
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YUGOSLAVIA:

Milosevic Set Back at Plenum

Serbian leader Slobodan Milosevic suffered a major setback in the party Central Committee plenum that ended yesterday; in the coming weeks, he probably will moderate his tactics but retain his nationalist agenda. b3

Milosevic failed to achieve his main goal at the plenum, the wholesale ouster of his many opponents on the 23-member Presidium and 165-member Central Committee. Although the plenum accepted the resignations already offered by four Presidium members—three are Milosevic adversaries—the only Presidium member who failed to gain a vote of confidence was Milosevic's Serbian ally Dusan Ckrebic. He resigned, but final action will not be taken until today. b3

The only Central Committee member removed was a Bosnian caught in a financial scandal, despite demands by Milosevic and others for the ouster of up to one-third of its members under the rubric of party renewal. Some plenum speakers had even urged that all 34 members who also hold government jobs be removed. The plenum sidestepped most other controversial questions. It deferred to a study commission Milosevic's calls for the ouster of several ethnic Albanian officials from Kosovo Province. The plenum, however, supported Serbia in the controversy over responsibility for disturbances in its Vojvodina Province. b3

Media reports suggest the plenum did not ban Serb demonstrations—as some anti-Milosevic speakers had demanded—and one such demonstration in Kosovo is scheduled for today. On the other hand, the massive gathering planned for Saturday in Belgrade was postponed. One Slovene leader cautioned Milosevic against new provocations. b3

National and regional leaders have sent a clear signal they will not tolerate Milosevic's use of Serbian nationalism to undermine the political system. They probably hope that their show of relative unity will prompt him to moderate his nationalist demands. These leaders now may be even more inclined to use federal security forces and the Army to quell new waves of Serb demonstrations, especially if they become violent. b3

Milosevic probably will rein in his activity at least temporarily. He has defied federal pressures in the past, however, and the plenum defeat could spur him to new provocations. b3

A second plenum is addressing Slovene and Croatian objections to several economic and political constitutional amendments. If efforts at compromise fail and the amendments are not passed by the end of next month, the government will be unable to implement market-oriented economic reforms. b3

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USSR-
AFGHANISTAN:

Implications of Vorontsov's Posting

Moscow's unusual appointment of First Deputy Foreign Minister Vorontsov as Ambassador to Kabul last week suggests it has decided to push hard for a political compromise in Afghanistan before the 15 February deadline for withdrawal of its troops.

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[REDACTED]
Vorontsov is still a first deputy foreign minister.

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Kabul and Moscow have not yet made the major announcement for which foreign journalists were invited to Afghanistan last week.

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[REDACTED] the PDPA's Central Committee plenum that was to precede the announcement was held yesterday after having been postponed for more than a week because of political infighting and disorganization. Only minor leadership changes were announced.

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[REDACTED] The timing of Vorontsov's appointment, shortly after the much-touted "major announcement" failed to materialize, [REDACTED]

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[REDACTED] suggest that former Ambassador Yegorychev failed to bring the Afghans into line and that Moscow decided a person of Vorontsov's clout is needed. It is not clear whether the planned announcement included President Najibullah's resignation in favor of non-PDPA Prime Minister Sharq, as was widely rumored in Kabul. Once in Kabul, however, Vorontsov may have decided more time was needed to prepare for major changes; he may have agreed to hold a noneventful plenum to quash rumors of the party's disarray.

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Vorontsov's appointment as Ambassador apparently is not a demotion. In addition to remaining a first deputy foreign minister, he seems not to have been in political trouble in Moscow, and the breadth of responsibilities he has held indicates he is one of President Gorbachev's top troubleshooters.

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USSR:

Krasnoyarsk Moratorium Likely To Continue

The Soviets probably will not resume construction at the Krasnoyarsk radar facility when their moratorium ends this week.

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Recent Soviet statements about the radar have not referred to the status of the moratorium. General Secretary Gorbachev last month proposed that the facility become a center for international space research. Last week in Paris, Foreign Minister Shevardnadze suggested that UNESCO organize an international body to staff the center.

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The Soviets are not likely to resume construction at Krasnoyarsk this year. Moscow probably calculates that restarting construction now would undermine its recent efforts to remove the radar compliance issue from the US-Soviet arms control agenda and would strain its relations with the next US administration. In any event, construction now would be hampered by the approaching Siberian winter.

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It is unclear how Moscow intends to handle expiration of the moratorium. Although the Soviets have extended other moratoriums with prominent public announcements, Moscow may prefer instead to acknowledge that further construction has been deferred, even though its moratorium has officially expired. It may characterize such a decision as a good faith gesture, hoping to create an atmosphere conducive to progress toward resolution of the issue.

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USSR:

Moscow Defines Police Powers of Internal Troops

The Ministry of Internal Affairs (MVD) has recently explained the decree the Soviet Presidium issued in July defining the authority of the Internal Troops to use firearms against demonstrators and emphasizing Moscow's direct control of those troops in dealing with civil disturbances. b3

the decree gives the Internal Troops authority to make arrests, search homes without warrants, perform spot identity checks, and cordon off areas of unrest. They can use firearms to defend sensitive facilities and suppress civil disorders, but only as a last resort and only under circumstances in which innocent bystanders would not be hurt. b3

The decree prohibits the subordination of Internal Troops to local Republic authorities during periods of civil unrest. MVD authorities maintain Moscow needs direct control because local authorities have sometimes collaborated with rioters from their own communities. b3

The decree does not change the role or mission of the Internal Troops. It does, however, for the first time since the Internal Troops were formed 70 years ago, legally spell out their authority. The Soviets indicated that a precise definition of the troops' role was needed to ensure that their activities would be consistent with the principles of democratization. b3

Although the decree was issued in July, the Soviets have only recently given it much publicity. News of its existence—including the firearms provisions—nonetheless has recently appeared in the Western press. b3

the Soviets are directing their message to a Western audience. They have traditionally been reluctant to admit that the USSR needs an internal army and may be concerned about their image in the age of *glasnost*. b3

The continued attention to a law passed more than two months ago indicates it is politically sensitive. The law may represent a compromise between strictly controlling newly enacted rights of public demonstration and putting limits on arbitrary, abusive power. Besides preventing complicity by local authorities in civil disorders, keeping supervisory power in Moscow may be aimed at preventing authorities from using undue violence in reacting to demonstrations—a concern President Gorbachev recently voiced. Because the newly defined powers will, in most cases, formally belong to the Minister of Internal Affairs, the appointment of a new minister takes on even more political significance. b3

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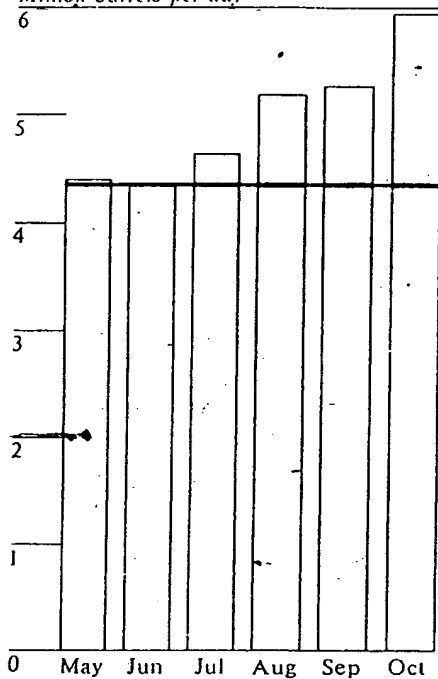
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Saudi Oil Production and Spot Oil Prices, May-October 1988

Production

- Saudi production
- Quota

Million barrels per day



Prices

- West Texas Intermediate
- North Sea Brent

US \$ per barrel



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OPEC:

Seeking New Production Agreement

OPEC's price and long-term strategy committees are meeting jointly in Madrid to hammer out a proposal for a new crude oil production agreement, which may hinge on a plan by its Persian Gulf producers to increase quotas. b3

The Persian Gulf producers—Saudi Arabia, Kuwait, the UAE, and Qatar—favor increasing OPEC's ceiling by as much as 2 million barrels per day to 19.5 million barrels per day. They view such an increase as the most realistic approach to unifying the cartel, gaining consensus on equal production quotas for Iran and Iraq, and increasing market share rather than supporting higher prices. b3

The Kuwaiti Oil Minister indicated the sharp decline in oil prices—the result of higher Saudi and Kuwaiti oil production—should induce both Iran and Iraq to compromise on quota levels. Saudi Arabia and Kuwait have indicated they intend to continue to produce well above their quotas until such an agreement can be reached. Saudi Arabia's production recently rose to about 5.9 million b/d—considerably higher than its 4.3-million-b/d quota—and Kuwaiti output is running at about 2.2 million b/d, more than 1 million b/d above its quota. Oil prices have fallen by more than \$2 a barrel since mid-August to about \$13 per barrel. b3

Even if OPEC agrees on a higher production ceiling, it is likely to be a tenuous accord. Iraq is likely to increase its oil export capacity by mid-1989 by opening new outlets in the Persian Gulf and will probably expand exports to increase revenues for postwar reconstruction. Unless the UAE gets a substantial increase in its quota, Abu Dhabi may break ranks and significantly increase production. b3

A production ceiling of about 19.5 million b/d probably would keep average world oil prices near \$15 per barrel next year. But the cartel has exceeded even this level for most of 1988 and has not been able to muster enough discipline to control its output. OPEC also lacks a mechanism to adjust production seasonally, and prices are likely to remain volatile. b3

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ALGERIA-
MOROCCO:

Progress on Western Sahara at Risk

Algeria's introduction of a draft UN General Assembly resolution on Western Sahara calling for direct negotiations between representatives of Morocco and the Algerian-backed Polisario Front may set back the nascent economic and political relations between the two countries. b3

Algeria has 41 cosponsors for its text, which goes beyond the UN Secretary General's peace plan by calling for direct public talks. Algerian military officials said recently that Algiers firmly supports the Polisario and will not compromise on direct negotiations. b1, b3

There were two major attacks in August and September designed to put pressure on Morocco to make concessions. b3

Moroccan officials are mounting an intense campaign in the UN to thwart Algerian efforts and have asked friendly countries to support a resolution in favor of the Secretary General's peace initiative. The Moroccans are hinting that they may link progress on cooperation with Algiers to progress on Western Sahara. b3

Algeria wants a prior political commitment that ensures Saharan autonomy and is insisting on direct negotiations to put Morocco in an uncomfortable position. Algerian officials apparently believe that Morocco has more to lose by a Western Saharan stalemate and that Rabat will not jeopardize relations by refusing to compromise. President Bendjedid probably has accepted the hardline position of some of his key advisers as the politically expedient course, particularly in the aftermath of the recent violence in Algeria—even though many Algerians resent the diversion of scarce resources to the Polisario. b3

Morocco so far has been unwilling to grant de facto recognition to the Front by meeting openly with its representatives. b3

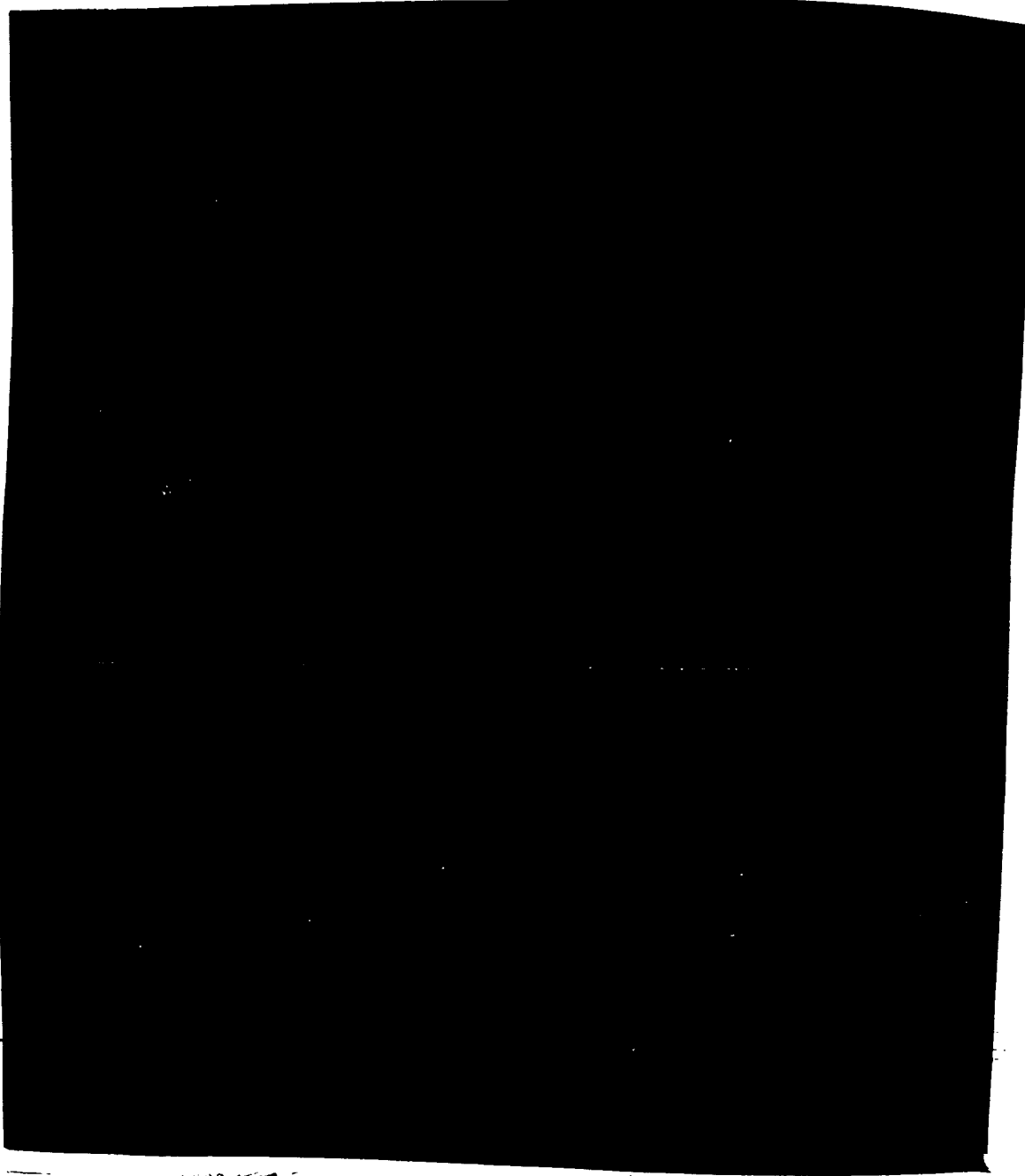
Official remarks, both public and private, make it clear that Morocco's King Hassan may be willing to put on hold bilateral relations with Algeria and the "Grand Maghreb" scheme to develop regional unity rather than make domestically unpopular concessions on Western Sahara. b3

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SUDAN:

Rebels Return to Offensive

The Sudanese military is under increasing pressure from southern insurgents; the rebels are likely to make additional gains before the dry season begins next month.

[REDACTED] Over the past few weeks, rebels have captured government garrisons at Katire, Kayala, and Ikoto. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] After a lull in rebel activity early in the rainy season, the military probably was overly optimistic about holding ground in the south until the dry season begins. The rebels apparently have overcome logistic and leadership difficulties that probably kept them from launching an offensive sooner. [REDACTED]

Military support to the southern garrisons is at an alltime low because of rain, rebel ambushes and mining of roads, and the shortage of transport aircraft on which southern garrisons are critically dependent. Supply problems will undermine government morale and further decrease the Army's ability to withstand rebel attacks. [REDACTED]

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Defense Chief Noriega, apparently in an effort to keep his options open, is considering canceling the presidential election scheduled for May. [REDACTED]

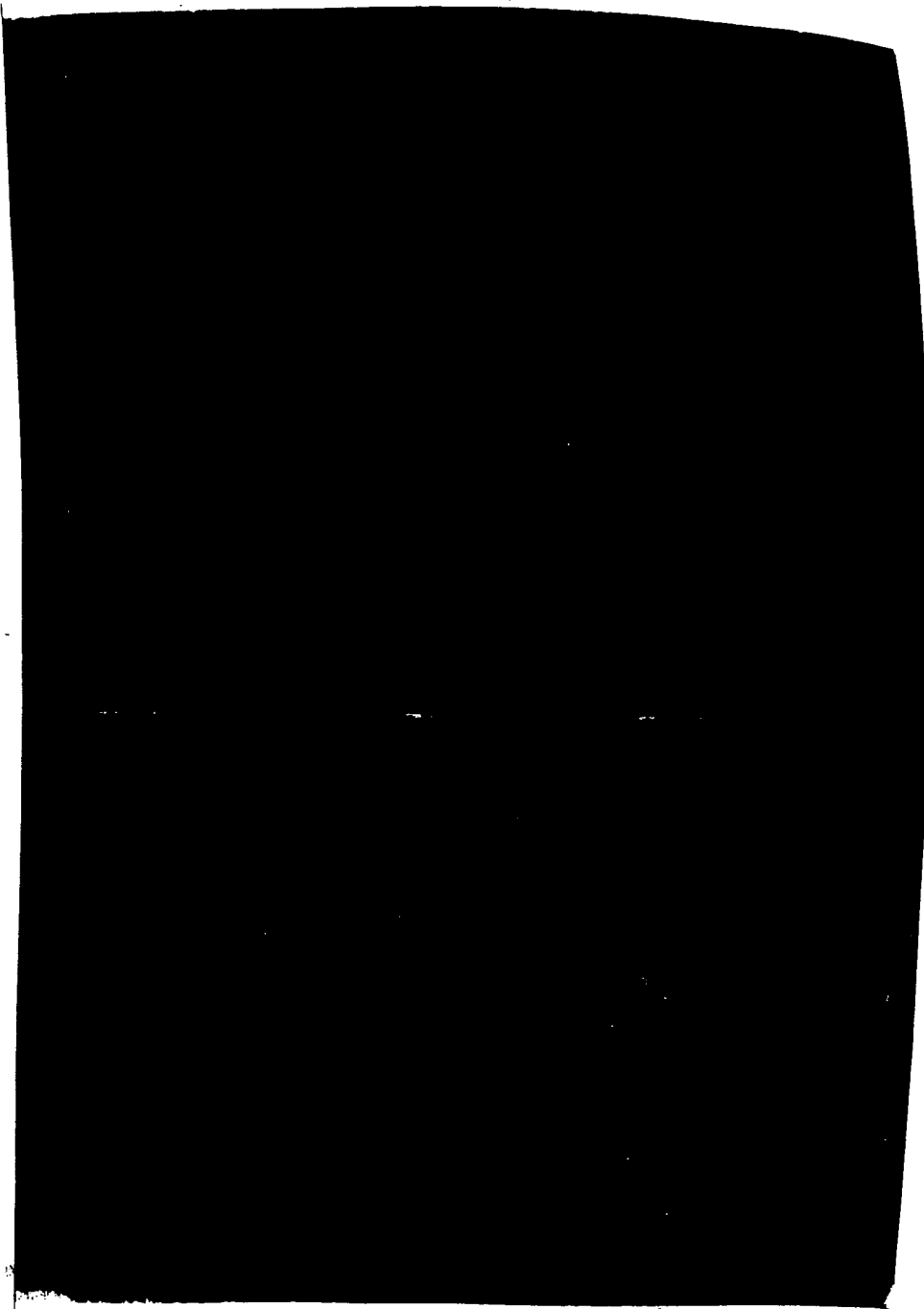
Noriega probably has not made up his mind about the election and is examining several alternatives. His recent commissioning of a private poll to assess his prospects as a presidential candidate is another sign of his uncertainty. The regime has no attractive candidates so far, and postponing or canceling the election may appeal to the Defense Chief as a way to maintain the status quo. The regime is strapped for cash and can ill afford to spend \$10-15 million on an election. Some opposition parties also favor postponing the election, fearing that Noriega would manipulate the result.

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A Thumbnail Sketch of Golkar

Golkar—"functional group"—is a term coined in 1964 by then President Sukarno to refer to a conglomeration of groups representing the professions, trades, military, and religious and social organizations. In recent years, President Soeharto has refurbished Golkar; it now dominates national elections, using patronage and coercion to mobilize support, and controls 299 seats in the 500-seat parliament.

Despite the regime's efforts, however, Golkar does not have an independent identity or solid roots in society. ~~the Indonesian public~~ the Indonesian public views Golkar as a creature of the Soeharto regime; the political elite recognize it as a path to power and privilege but view it with skepticism and cynicism. b3

In an effort to build support, Golkar this year for the first time is using a "bottom up" approach in which district and provincial congresses select local party leaders and delegates to the 1,300-member National Congress. Previously, Golkar held its National Congress first and then selected local leaders. Indonesian and foreign political observers agree that Soeharto still makes all major decisions concerning Golkar.

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INDONESIA: Ruling Party's National Congress Opens

The opening today in Jakarta of the National Congress of Golkar, the government's political party, is another round in the power struggle between Indonesia's two most powerful institutions—the military and the civil bureaucracy—and in the personal rivalry between Defense Minister Murdani and Vice President Sudharmono, Golkar's current General Chairman. [REDACTED] maneuvering for leadership positions in Golkar is intense because the party will probably play the key role in the anticipated presidential succession. President Soeharto has decided to name retired Lieutenant General Wahono, an old Army colleague, as Golkar's next General Chairman, [REDACTED] Sudharmono, however, may be named to the Advisory Council. [REDACTED]

[REDACTED] The military, with Murdani's encouragement, is using the Congress to promote its dominant role in Indonesian politics and to blunt what it considers antimilitary influence from Sudharmono, whose term as Golkar's General Chairman ends this year. If Sudharmono moves to the Advisory Council, however, he would retain considerable influence and might prevail over the unassuming Wahono. In that case, the rift between Soeharto and the military, which became apparent earlier this year when Soeharto picked Sudharmono as Vice President, is likely to widen. [REDACTED]

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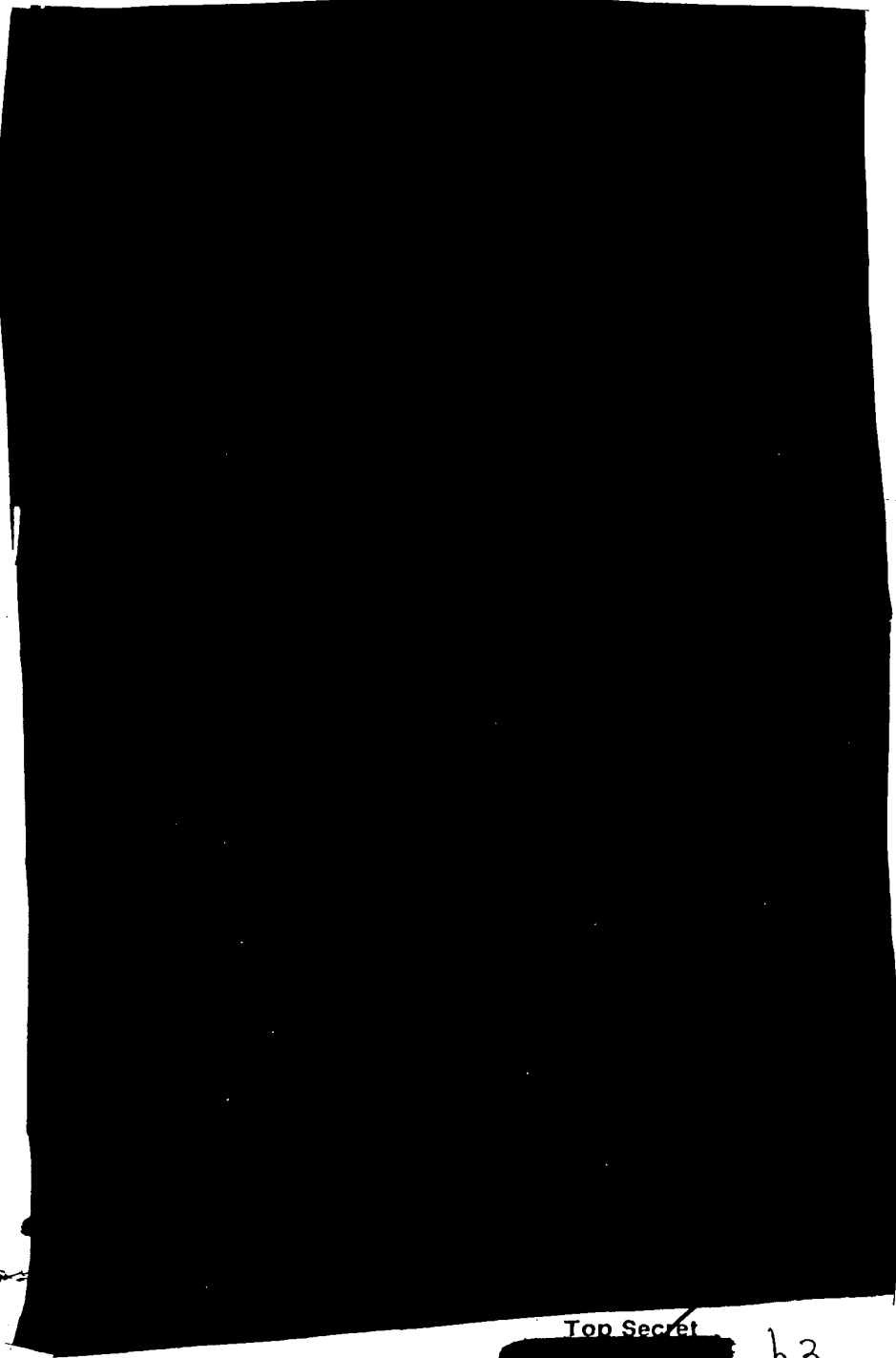
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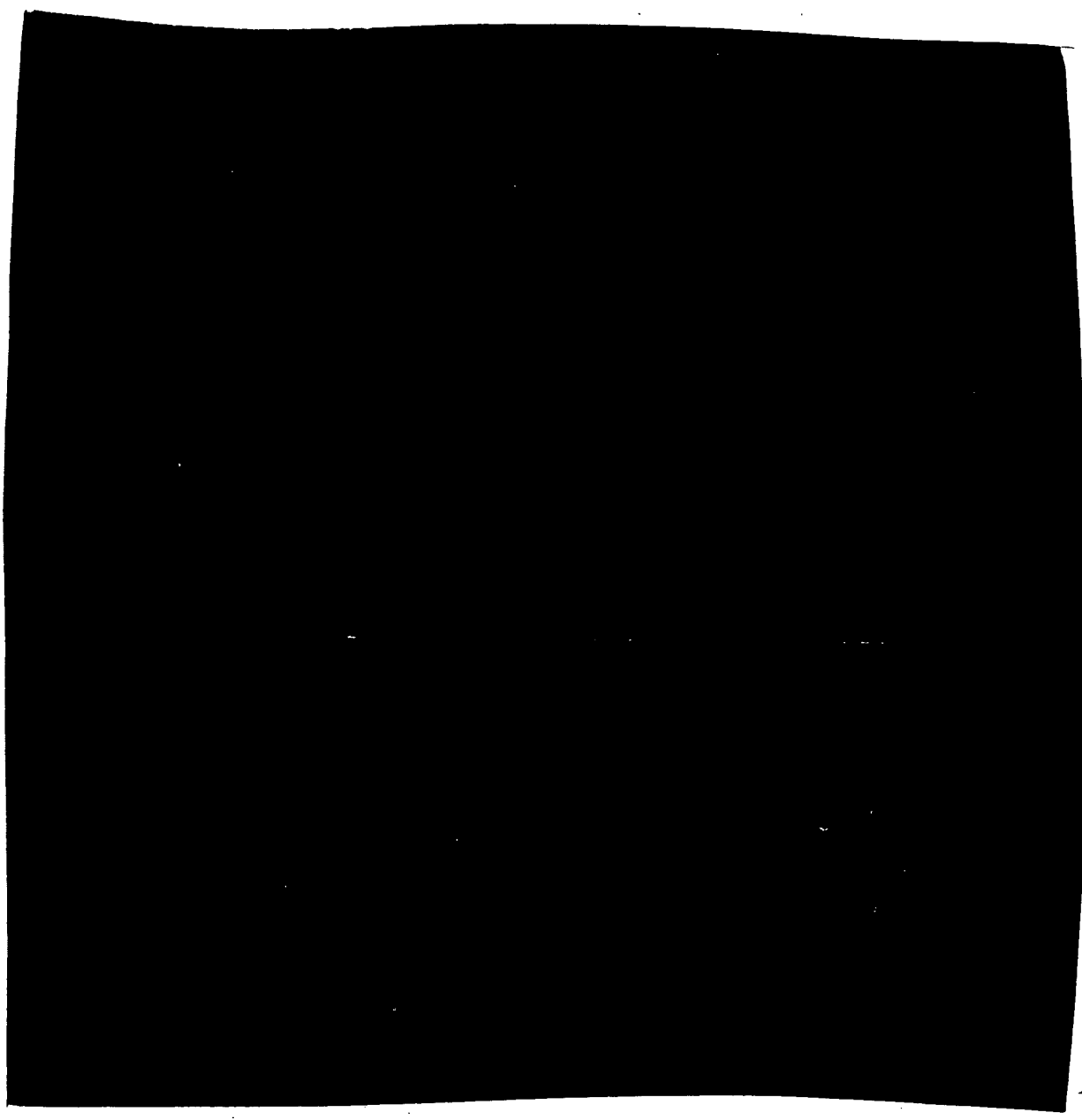
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In Brief

Middle East

- Car bomb killed seven Israeli soldiers, wounded eight in deepest penetration of southern Lebanon security zone this year ... Hizballah-backed group claiming credit ... retaliatory airstrikes. battalion-level sweeps beyond zone likely. b3
- Sudanese courts defer announcing verdict in trial of five Abu Nidal terrorists accused of hotel bombing in May ... claim delay because of judge's illness ... political considerations, fear of terrorist retaliation more likely b3

Africa

- ~~_____~~ Burundi President Buyoya yesterday formed new government, gave numerous Cabinet positions to tribesmen from long oppressed majority ... bold step risks alienating powerful military elite ... ~~_____~~ b3

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Special Analysis

LEBANON:

Becoming a Middle East Battleground

In the wake of the Iran-Iraq cease-fire, politically fragmented Lebanon is again emerging as the primary arena of conflict for regional powers—especially Iraq and Syria—eager to settle old scores. Direct military hostilities between foreign powers in Lebanon are not likely in the near term, but growing foreign support for Lebanon's warring militias risks miscalculation and a wider conflict.

Bitter rivalry between Iraq and Syria poses the most recent external threat to stability in Lebanon. Iraqi President Saddam Husayn, thirsting for revenge against Syrian President Assad for supporting Iran in the war, sees the current political impasse in Lebanon as an ideal opportunity to undermine Syrian influence in the region. Iraq has substantially increased its financial and military support for the militant Christian Lebanese Forces, despite the militia's longstanding ties to Israel and the PLO. The aid is designed to thwart Syrian efforts to dominate a new government and to increase the cost of Syria's involvement.

Syria's response has been restrained so far, and Assad may choose to keep it that way for now to give the Christian government in Beirut every opportunity to disintegrate from within. Although Syria is smarting from recent setbacks in Lebanon, Damascus probably believes that Iraq is unable to threaten its preeminent position there and that it can afford to play a waiting game.

Syria probably is counting on increased support from Iran. Tehran's hatred of Baghdad gives it strong incentive to cooperate with Syria against Iraq, increase support for Hizballah, and seek greater cooperation between Hizballah and Amal, the two principal Shia militias. Hizballah has become concerned about the decline in aid from Tehran since the Iran-Iraq cease-fire. Tehran nonetheless is likely to maintain a strong commitment to Hizballah because Lebanon offers the best opportunity for exporting the Iranian revolution now that Iran is attempting to improve relations with other Arab states.

Other Actors

Baghdad's growing role in Lebanon has raised new concerns among moderate Arabs about Iraqi aggressiveness. But they also want to undercut Syria, and many are at least tacitly supporting the Iraqi crusade against Damascus.

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The Saudis are reviewing options for joint Arab action to head off confrontation in Lebanon [REDACTED], although they almost certainly expect the US to lead any such effort. Meanwhile, Riyadh is keeping channels open to Damascus and Baghdad while making clear to both sides that it is unwilling to venture directly into the Lebanese political thicket. [REDACTED]

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For the time being, Israeli concerns remain focused on Palestinian and Hizballah threats to Israel's security zone in southern Lebanon. Tel Aviv is not willing to undertake another Lebanon adventure—such as in 1982—unless directly threatened, and it probably will restrict its support for anti-Syrian Christian forces to money, materiel, and intelligence. An all-out Syrian military move against the Christians, however, would force Israel to consider other options—such as moving more troops into southern Lebanon. [REDACTED]

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Outlook

There appears to be little chance for direct military conflict between Iraq and Syria in Lebanon in the near term; both prefer to maneuver through proxies. The dangers of miscalculation nonetheless could be substantial. Syria almost certainly realizes that its surrogates cannot defeat the Christians militarily, and it might take direct military action against the Lebanese Forces if that militia continues to flaunt its Iraqi support. Such a move would test both Iraqi resolve in Lebanon and Israeli forbearance. [REDACTED]

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The other Arab states [REDACTED] will resist deeper involvement but might still be sucked into the Lebanese morass if Syrian-Iraqi tensions increase markedly or if one side or the other gains significant advantage. At a minimum, continued foreign meddling by all parties will help prolong the Lebanese political crisis, contribute to delaying elections indefinitely, and increase the risk of permanently dividing the country into Muslim and Christian ministates. [REDACTED]

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Students on the Frontlines

Students have a rich history of involvement in Burmese politics. The country's first two Prime Ministers, Aung San and U Nu, got their political starts as leaders of student groups that spearheaded Burma's independence with massive strikes and student protests against the British in the 1930s. Student riots in 1962 over restrictions on political activity resulted in the execution of a student leader by the military and the destruction of the student union building, in which more than 100 student activists perished.

Students joined local demonstrators in 1967, 1974, and 1981 to protest rice shortages and economic decline. Last year, about 4,000 students took to the streets to protest currency regulations that, though aimed at bankrupting black marketeers and insurgents, further impoverished most Burmese. This year, a street fight between several students and a local merchant in Rangoon took on a life of its own as the growing crowd of students and townspeople turned their mutual wrath into a protest against the government and set off several months of often violent demonstrations.

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Special Analysis

BURMA:—

Students Lead Civil Unrest

This is the second in a series of Special Analyses on groups active in the unrest affecting Burma. b3

Students have traditionally been the catalyst for change in Burma, periodically inciting mass demonstrations to vent their frustration with rigid, autocratic governments. They have achieved unprecedented political gains this year after being joined by up to 1 million citizens in three months of massive protests, forcing three consecutive governments to resign. The takeover on 18 September by Defense Minister Saw Maung, however, led to a harsh crackdown on protesters, and student influence has since waned. With schools ordered to close and key student groups badly fragmented, students probably are not a serious threat to the military regime. b3

Although students will continue to push for change, the majority apparently favor continued peaceful resistance. Most students are likely to remain in the background and support major opposition figures, such as former General Aung Gyi and former Defense Minister Tin Oo, in their efforts to oust the military regime. b3

An increasing number of students, however, are turning to violence as the only option to force the government to become more democratic. Burma's largest student group split after some of its leaders resigned, probably as a result of the growing militancy of several factions, b3

The militants are trying to arm themselves and are seeking support from insurgent groups such as the Burma Communist Party and the Karen National Union. An armed student insurgency would almost certainly provoke further violent suppression by the Army and could delay promised elections. b3

If students align with insurgents, they may also drive a wedge between themselves and the populace. People have accepted their agitation for change in part because Burmese society accords them high status. Education is the chief means for entry into midlevel and senior government positions and other professions and is one of the few avenues for achieving success. Communities will often pool resources to pay a student's expenses because of the prestige and status of education. This attitude has persisted despite the fact that most university graduates are unemployed or accept menial jobs with little relevance to their education. b3

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